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6 June 1985

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MEMORANDUM FOR: See Distribution
VIA: Chief, Liaison Division, OLL
FROM:
Liaison Division, OLL

DD/A REGISTRY
FILE: 100-13

SUBJECT: Federal Employees Health Benefits Program

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1. The statements for the record from the 9 May 1985 hearing on the Federal Employees Health Benefits Program are attached. The intent of the hearing, chaired by Mary Rose Oakar, House Subcommittee on Compensation and Employee Benefits, was to build a case for strengthening the Program and increasing the benefits.

2. Specifically, the pro-Federal Employee bloc in the House is supporting the following:

- Increase government contribution;
- Mandate minimum coverage for dental care, mental health care, alcoholism and substance abuse treatment and rehabilitation, and hospice care;
- Limit Office of Personnel Management authority;
- Mandate an annual open season.

These initiatives are contained in H.R. 156, attached hereto.

3. House staffers are enthusiastic over the prospect for enactment of this legislation by the 99th Congress. Other observers of Civil Service legislation, including the major insurance companies and employee groups, are far less enthusiastic. They predict, as do staffers on the Senate side, that we will see a stalemate between House Democrats who want to increase the benefits for and lower the cost to Federal employees, and the Administration and Senate and House Republicans who want to reduce the cost of the Program to the Federal government. To that end, OPM again is planning to push for a voucher program.

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Attachment:
as stated



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99TH CONGRESS
1ST SESSION

H. R. 156

To amend the Federal employee health benefit plan provisions of chapter 89 of title 5, United States Code, to increase the Government contribution rate, to extend coverage for employees who are separated due to reductions in force, to require carriers to obtain reinsurance or stop-loss insurance (or to otherwise demonstrate financial responsibility), to assure adequate mental health benefit levels and otherwise limit benefit reductions, to mandate an open season each year, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 1985

Ms. OAKAR introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To amend the Federal employee health benefit plan provisions of chapter 89 of title 5, United States Code, to increase the Government contribution rate, to extend coverage for employees who are separated due to reductions in force, to require carriers to obtain reinsurance or stop-loss insurance (or to otherwise demonstrate financial responsibility), to assure adequate mental health benefit levels and otherwise limit benefit reductions, to mandate an open season each year, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 SHORT TITLE; TABLE OF CONTENTS

2 SECTION 1. (a) This Act may be cited as the "Federal
3 Employees Health Benefits Reform Act of 1985".

4 (b) The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Increase in Government contribution rate; repeal of 75 per centum maximum.
- Sec. 3. Continuation of coverage for employees separated due to a reduction in force, and certain others.
- Sec. 4. Financial responsibility requirement.
- Sec. 5. Mental health benefits.
- Sec. 6. Comprehensive dental benefits.
- Sec. 7. Limitations on benefit reductions and Office of Personnel Management contracting discretion.
- Sec. 8. Open season.
- Sec. 9. Employee status.
- Sec. 10. Elimination of requirement of three medical specialties for group-practice prepayment plans.

5 INCREASE IN GOVERNMENT CONTRIBUTION RATE; REPEAL
6 OF 75 PER CENTUM MAXIMUM

7 SEC. 2. (a) Section 8906(b)(1) of title 5, United States
8 Code, relating to the Government contribution, is amended
9 by striking out "60 percent" and inserting in lieu thereof "75
10 percent".

11 (b) Section 8906(b)(2) of title 5, United States Code, is
12 amended by striking out "75 percent" and inserting in lieu
13 thereof "100 percent".

14 (c) Section 8906(b) of title 5, United States Code, is
15 amended by adding at the end thereof the following new
16 paragraph:

17 "(4) In addition to the Government contribution, a Gov-
18 ernment differential shall be paid in the case of each employ-
19 ee or annuitant who is 65 years of age or older, who is not

1 entitled to hospital insurance benefits under part A of title
 2 XVIII of the Social Security Act (42 U.S.C. 1395c and fol-
 3 lowing), and who is enrolled in an approved health benefits
 4 plan. Such differential shall be equal to 5 percent of the aver-
 5 age subscription charge determined under subsection (a) of
 6 this section. The Government differential under this para-
 7 graph shall be treated the same as the Government contribu-
 8 tion except that—

9 “(A) such differential shall not be taken into ac-
 10 count in determining the amount to be paid by the em-
 11 ployee or annuitant; and

12 “(B) such differential shall be paid to the health
 13 benefits plan in which the employee or annuitant is en-
 14 rolled.”.

15 (d) The amendments made by this section shall become
 16 effective with respect to contracts entered into or renewed for
 17 calendar year 1986 or thereafter.

18 CONTINUATION OF COVERAGE FOR EMPLOYEES SEPA-
 19 RATED DUE TO A REDUCTION IN FORCE, AND CER-
 20 TAIN OTHERS

21 SEC. 3. (a)(1) Chapter 89 of title 5, United States Code,
 22 is amended by adding after section 8906 the following new
 23 section:

24 “§ 8906a. Continuation of coverage

25 “(a) An individual described in paragraph (1), (2), or (3)
 26 of subsection (b) of this section may elect to continue cover-

1 age under an approved health benefits plan in accordance
2 with the provisions of this section.

3 “(b)(1) An employee who is involuntarily separated from
4 the civil service due to a reduction in force, and who was
5 enrolled in an approved health benefits plan immediately
6 before the separation, may continue such individual’s enroll-
7 ment for self alone or for self and family (as the case may be).

8 “(2) An individual who elects to receive the lump-sum
9 credit under section 8342(a) of this title, and who was en-
10 rolled in an approved health benefits plan immediately before
11 such election, may continue such individual’s enrollment for
12 self alone or for self and family (as the case may be).

13 “(3) An individual who is 22 years of age or older may
14 continue such individual’s enrollment in an approved health
15 benefits plan if—

16 “(A) the enrollment being continued was based on
17 such individual’s being an unmarried dependent child
18 who was incapable of self-support because of a mental
19 or physical disability which existed before age 22; and

20 “(B) such disability is determined not to have
21 ended before such individual attained age 22.

22 “(c)(1) Any individual seeking to continue enrollment in
23 a health benefits plan under this section shall, within 31 days
24 after the date of the terminating event, and in accordance
25 with such procedures as the Office of Personnel Management

1 shall by regulation prescribe, file an election to continue such
2 enrollment and arrange to pay currently into the Employees
3 Health Benefits Fund an amount equal to the sum of the
4 employee and agency contributions payable in the case of an
5 employee enrolled in the same health benefits plan and level
6 of benefits.

7 “(2) The Office may, for good cause shown, extend the
8 31-day period referred to in paragraph (1) of this subsection.

9 “(3) For the purpose of paragraph (1) of this subsection,
10 ‘date of the terminating event’ means—

11 “(A) in the case of an individual involuntarily sep-
12 arated from the civil service due to a reduction in
13 force, the date as of which such individual is so sepa-
14 rated;

15 “(B) in the case of an individual who elects to re-
16 ceive the lump-sum credit under section 8342(a) of this
17 title, the date that the payment of the lump-sum credit
18 is made; and

19 “(C) in the case of an unmarried individual 22
20 years of age or older whose coverage is based on a
21 mental or physical disability which existed before age
22 22, the date that such disability is determined under
23 this chapter no longer to exist.

24 “(d)(1) An individual who makes an election under sub-
25 section (c) of this section may, at the time of making such

1 election and under the conditions prescribed by regulations of
2 the Office, change the level of benefits under the health bene-
3 fits plan in which such individual is continuing coverage, but
4 only if the change is to a lower level.

5 “(2) An individual enrolled in a health benefits plan
6 under this section—

7 “(A) may change such individual’s coverage or
8 that of the individual and members of such individual’s
9 family (as the case may be) by an application filed
10 within 60 days after a change in family status or at
11 other times and under conditions prescribed by regula-
12 tions of the Office; and

13 “(B) may transfer such individual’s enrollment to
14 another plan described by section 8903 of this title at
15 the times and under the conditions prescribed by regula-
16 tions of the Office.

17 “(3) An individual—

18 “(A) who is eligible to continue enrollment in a
19 health benefits plan under this section, but who does
20 not make an election under subsection (c) of this sec-
21 tion, or

22 “(B) who makes an election under subsection (c)
23 of this section, but whose enrollment is subsequently
24 ended (other than by a cancellation of enrollment),

1 shall be granted a temporary extension of coverage, during
2 which such individual may exercise the option to convert,
3 without evidence of good health, to a nongroup contract pro-
4 viding health benefits. Any individual who exercises this
5 option shall pay the full periodic charges of the nongroup
6 contract.

7 “(e)(1) The coverage provided under this section for any
8 individual separated due to a reduction in force (described in
9 subsection (b)(1)) may not extend beyond the end of the 12th
10 calendar month beginning after the separation takes effect, or
11 (if earlier) the first day the individual involved becomes em-
12 ployed by any employer in a position in which the individual
13 is eligible to participate in any health benefits plan that is
14 sponsored (in whole or in part) by such employer and has
15 benefits at least equivalent to the lowest benefit level avail-
16 able under any approved Government-wide plan.

17 “(2) Under regulations prescribed by the Office of Per-
18 sonnel Management, the coverage provided under this section
19 for any other individual described in subsection (b) may not
20 extend beyond the end of the calendar month during which
21 the status or circumstances of the individual change to the
22 extent that the individual ceases to meet the applicable re-
23 quirements under paragraph (2) or (3), as the case may be.”.

1 (2) The analysis for chapter 89 of title 5, United States
2 Code, is amended by inserting after the item relating to sec-
3 tion 8906 the following new item:

“8906a. Continuation of coverage.”.

4 (b) Section 8906(d) of title 5, United States Code, is
5 amended—

6 (1) by striking out “(d)” and inserting in lieu
7 thereof “(d)(1)”; and

8 (2) by adding at the end thereof the following new
9 paragraph:

10 “(2) Nothing in paragraph (1) of this subsection shall be
11 construed to prohibit the enrollment of an annuitant whose
12 annuity is less than the withholding required under such
13 paragraph if such annuitant arranges to pay, at the times and
14 under the conditions prescribed by the Office, the amount of
15 the deficiency.”.

16 (c) The amendments made by this section shall become
17 effective with respect to contracts entered into or renewed for
18 calendar year 1986 or thereafter.

19 FINANCIAL RESPONSIBILITY REQUIREMENT

20 SEC. 4. (a) Section 8902 of title 5, United States Code,
21 relating to the contracting authority of the Office of Person-
22 nel Management, is amended by redesignating subsections (d)
23 through (m) as subsections (e) through (n), respectively, and
24 by inserting after subsection (c) the following new subsection:

1 “(d) A contract for a plan described by section 8903(3)
2 of this title shall require the carrier—

3 “(1) to meet the reinsurance requirements of sub-
4 section (c)(1) of this section;

5 “(2) to enter into an agreement approved by the
6 Office with an underwriting subcontractor licensed to
7 issue group health insurance in all the States and the
8 District of Columbia; or

9 “(3) to demonstrate ability to meet reasonable
10 minimum financial standards prescribed by the Office.”.

11 (b) Section 8902(i) of title 5, United States Code, as
12 redesignated by subsection (a), is amended by striking out
13 “under subsection (g)” and inserting in lieu thereof “under
14 subsection (h)”.

15 (c) The amendments made by this section shall become
16 effective with respect to contracts entered into or renewed for
17 calendar year 1988 or thereafter.

18 MENTAL HEALTH BENEFITS

19 SEC. 5. (a) The first sentence of section 8904 of title 5,
20 United States Code, is amended by striking out “may” and
21 inserting in lieu thereof “shall”.

22 (b) Paragraphs (1) and (2) of section 8904 of title 5,
23 United States Code, are amended by adding at the end of
24 each such paragraph the following:

25 “(G) Nervous and mental disorder benefits.

1 “(H) Alcoholism and substance abuse treatment
2 and rehabilitation benefits.”.

3 (c) Section 8904 of title 5, United States Code, is
4 amended by adding after paragraph (4) the following:

5 “(5) No health benefits plan described in para-
6 graph (1), (2), or (3) of this section shall be contracted
7 for or approved which does not provide, without dis-
8 crimination as to the coinsurance ratio or the deducti-
9 ble, for 50 outpatient visits and 60 inpatient days of
10 nervous and mental disorder benefits, and two 28-day
11 alcoholism treatment and rehabilitation benefits, but
12 such alcoholism benefits are only required to the extent
13 that an individual has not previously been enrolled in a
14 program of similar duration for which benefits were
15 provided.

16 “(6) Whenever benefits of the type described in
17 paragraph (1)(G) or (2)(G) of this section under any
18 plan contracted for or approved hereunder are limited,
19 such limits shall be exceeded on a case-by-case basis
20 and only to the extent that an established peer review
21 mechanism determines such treatment to be medically
22 or psychologically necessary and appropriate.

23 “(7) The catastrophic benefits provided for in
24 paragraph (6) of this section shall be paid out of the
25 stop-loss fund established by section 8909(a)(3) of this

1 title to the extent of 80 percent of the part of each
2 outpatient claim that exceeds 50 visits annually and 80
3 percent of the part of each inpatient claim resulting
4 from a period of hospitalization in excess of 60 days.”.

5 (d) Section 8909(a) of title 5, United States Code, is
6 amended—

7 (1) in paragraph (1), by striking out “and”;

8 (2) in paragraph (2), by striking out the period
9 and inserting in lieu thereof “; and”; and

10 (3) by adding at the end thereof the following:

11 “(3) to pay the catastrophic benefits described in
12 paragraphs (6) and (7) of section 8904 of this title.”.

13 (e) Section 8909(b)(1) of title 5, United States Code, is
14 amended to read as follows:

15 “(1) One percent of all contributions made avail-
16 able by subsection (a) of this section out of which is to
17 be allocated that part determined by the Office to be
18 reasonably adequate to pay the administrative expenses
19 referred to in subsection (a)(2) of this section with the
20 balance to be used to pay the catastrophic benefits re-
21 ferred to in subsection (a)(3) of this section.”.

22 (f) The first sentence following paragraph (2) in section
23 8909(b) of title 5, United States Code, is amended by insert-
24 ing “and for catastrophic benefits” after “expenses”.

1 (g) The amendments made by this section shall become
2 effective with respect to contracts entered into or renewed for
3 calendar year 1986 or thereafter.

4 COMPREHENSIVE DENTAL BENEFITS

5 SEC. 6. (a) Paragraphs (1) and (2) of section 8904 of
6 title 5, United States Code, as amended by section 5, are
7 further amended by adding at the end of each such paragraph
8 the following:

9 “(I) Comprehensive dental benefits.”.

10 (b) The amendments made by this section shall become
11 effective with respect to contracts entered into or renewed for
12 calendar year 1986 or thereafter.

13 LIMITATIONS ON BENEFIT REDUCTIONS AND OFFICE OF

14 PERSONNEL MANAGEMENT CONTRACTING DISCRETION

15 SEC. 7. (a) Section 8902 of title 5, United States Code,
16 relating to contracting authority, as amended by section 4, is
17 amended by adding at the end thereof the following new sub-
18 section:

19 “(o)(1) Except as provided under paragraph (2) of this
20 subsection, the Office may not negotiate or enter into any
21 contract with any qualified carrier for any health benefits
22 plan for any calendar year unless the benefits provided by
23 such plan are actuarially equivalent to at least 95 percent of
24 (A) the benefits under the plan provided by such carrier for
25 the preceding calendar year, or (B) if the plan was not offered
26 by any carrier during the preceding year, the benefits provid-

1 ed by the approved plan which was offered during the pre-
2 ceding year and which is most similar to the plan.

3 “(2) The requirements of paragraph (1) shall not apply if
4 the carrier and the Office mutually agree to a waiver of such
5 requirements.

6 “(3) The Office shall exercise its authority under subsec-
7 tion (a) and enter into a contract with any qualified carrier for
8 any calendar year if—

9 “(A) the plan benefits meet the applicable require-
10 ments of paragraph (1), and

11 “(B) the carrier and the plan offered by the carri-
12 er under the contract meet all applicable standards and
13 requirements established by and under this chapter.”.

14 (b) The amendments made by this section shall become
15 effective with respect to contracts entered into or renewed for
16 calendar year 1986 or thereafter.

17 OPEN SEASON

18 SEC. 8. (a) Section 8905(e) of title 5, United States
19 Code, is amended to read as follows:

20 “(e)(1) The Office shall prescribe regulations under
21 which, before the start of any contract term in which an ad-
22 justment is to be made in any of the rates charged or benefits
23 provided under a health benefits plan described by section
24 8903 of this title, or a newly approved health benefits plan is
25 offered, or an existing plan is terminated, a period of not less

1 than 3 weeks shall be provided during which any employee
2 or annuitant enrolled in a health benefits plan described by
3 that section may either transfer that individual's enrollment
4 to another such plan or cancel such enrollment.

5 “(2) Not later than 4 weeks before the start of any
6 period described in paragraph (1) of this subsection, the Office
7 shall make available to each employee or annuitant enrolled
8 in a health benefits plan under this chapter the information
9 required by section 8907(a) of this title.”.

10 (b) The amendments made by this section shall become
11 effective with respect to contracts entered into or renewed for
12 calendar year 1986 or thereafter.

13 EMPLOYEE STATUS

14 SEC. 9. (a) Section 8902(f) of title 5, United States
15 Code, is amended by inserting “nonactive employee status,”
16 after “health status,”.

17 (b) The amendment made by this section shall become
18 effective with respect to contracts entered into or renewed for
19 calendar year 1986 or thereafter.

20 ELIMINATION OF REQUIREMENT OF THREE MEDICAL SPE-
21 CIALTIES FOR GROUP-PRACTICE PREPAYMENT PLANS

22 SEC. 10. (a) The second sentence of section 8903(4)(A)
23 of title 5, United States Code, relating to group-practice pre-
24 payment plans, is amended to read as follows: “The group
25 shall include physicians who receive all or a substantial part

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1 of their professional income from the prepaid funds and who
2 represent medical specialties appropriate and necessary for
3 the population served and proposed to be served by the
4 plan.”.

5 (b) The amendment made by this section shall become
6 effective with respect to contracts entered into or renewed for
7 calendar year 1986 or thereafter.

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